



Early Journal Content on JSTOR, Free to Anyone in the World

This article is one of nearly 500,000 scholarly works digitized and made freely available to everyone in the world by JSTOR.

Known as the Early Journal Content, this set of works include research articles, news, letters, and other writings published in more than 200 of the oldest leading academic journals. The works date from the mid-seventeenth to the early twentieth centuries.

We encourage people to read and share the Early Journal Content openly and to tell others that this resource exists. People may post this content online or redistribute in any way for non-commercial purposes.

Read more about Early Journal Content at <http://about.jstor.org/participate-jstor/individuals/early-journal-content>.

JSTOR is a digital library of academic journals, books, and primary source objects. JSTOR helps people discover, use, and build upon a wide range of content through a powerful research and teaching platform, and preserves this content for future generations. JSTOR is part of ITHAKA, a not-for-profit organization that also includes Ithaka S+R and Portico. For more information about JSTOR, please contact support@jstor.org.

A HISTORY OF THE LATIN UNION.¹

THE world of letters in Europe has not allowed the work of the American universities to pass unnoticed; and rightly so for nowhere else has progress in recent years been so rapid. The University of Chicago particularly commends itself to the attention of economists both by its courses of instruction and by its publications, which reflect the work of the University. The latest of these publications has peculiar interest for us, since the subject of which it treats is essentially European—the Latin Monetary Union.² Many are the authors who have described, discussed, lauded, or criticised it, but one may say it still awaited its historian. That he has been found not in France nor in Italy, neither in Belgium nor in Switzerland, but in the United States is no occasion for regret on our part. It has only resulted in making the enquiry more impartial and not at all in making it less complete, for Mr. Willis has neither been ignorant of, nor neglected any of the sources which might be of service to him. I myself took great pleasure, while I was director of the French Mint, in opening to him its archives. I could testify, were not the book in itself sufficient witness, to the conscientiousness and the patience which he showed in mastering the original sources. He has read or examined everything, the official texts, the *procès verbaux*, the discussions, and even the articles in the reviews and the newspapers. Some of the chapters are models of analysis and synthesis. Such are those in which he has successively initiated the reader into the genesis, the progress, and the effects of this monetary syndicate which, inaugurated by the convention of December 23, 1865, has continued, despite all vicissitudes to the present time. A foreigner has need of great clearness of vision to distinguish in the causes of that international agreement between the influence of economic, and of political considerations. Mr. Willis has made manifest the practical difficulties which compelled us, thirty-six years ago, to reduce the standard of our fractional silver in order to check its exportation. The same necessity had been felt in Italy, in Belgium, and in Switzerland. The independent action of these states brought about certain differences of which speculation sought to take advantage at the expense of the circulating medium.

¹ Translated from the French manuscript by Henry Rand Hatfield.

² *A History of the Latin Monetary Union*. By H. PARKER WILLIS. Chicago: The University of Chicago Press, 1901.

The convention of 1865 in itself had no other object than to secure uniformity in the monetary systems of the contracting powers. But it is certain that Emperor Napoleon III., and public opinion as well, expected more from that agreement than was promised by its text.

For the theorists it was a first step and a long step toward the general unification of monetary systems. It was the *franc* beginning, as the *metre* had recently done, to conquer the world. Without doubt it was a pity to see the campaign open with the debasement of the very unit which they were ambitious to have accepted by the civilized world. The franc of 1865 (reduced to .835 fine) was no longer the original franc. But in addition to the fact that the *écu* of five francs (the French dollar) remained unaltered as the personification of the silver standard, as it had been defined by the law of 17 Germinal, an. XI, the triumph of the gold standard was announced as near at hand, and the twenty-franc piece (the Napoleon) appeared as its representative.

Our statesmen, whether economists or not, saw with satisfaction the prestige of France and the empire established by these monetary unions, which would bring others in their train. The public, aided by official eloquence looked on the Latin Union less as a remedy for previous difficulties than as a victory and a promise for the future.

Unhappily these expectations presently proved fallacious. The introduction of legal-tender paper in Italy and in Greece soon showed that at least two of our allies were preparing to play, in the family which they had just formed, the unwelcome rôle of poor relations. Then came the war with Germany, the defeats, the invasions, the siege of Paris, the mutilation of French territory, the indemnity of five milliards, and the commune. The notes of the Bank of France ceased to be redeemable in specie, and this situation bade fair to drag on for many years. Mr. Willis recalls all this without dwelling on it. He would have done well to call attention in passing to the extraordinary solidity which French credit exhibited in those tragic days. That our bank notes remained either at par, or very near it in the midst of such convulsions, that the payments on the public debt were not interrupted, and that France, as soon as Germany was paid, was able so promptly to secure needed revenues, is a spectacle not common in the financial history of nations. Bimetallism itself could derive some honor from such a crisis so well passed. But bimetallism was about to suffer a most serious malady caused by the depreciation of the white metal, and

everyone knows that despite all the efforts of its friends it is now dead. The Latin Union has survived only by transforming itself.

Mr. Willis has placed in a clear light the changes made in the original agreement of 1865, first by the supplementary convention of 1878, and later by that of 1885. The first provided for the downfall of silver by definitely prohibiting the minting of écus, the latter for the first time regulated, in the interests of France, the conditions for the eventual dissolution of an alliance of which we were bearing all the burden. France was invaded from day to day by the écus of Belgium and by those of Italy. Italy had escaped momentarily from forced circulation only to fall back again. Neither gold nor silver were longer to be seen in the peninsula, and because of its economic and financial difficulties the Italian government was led to interpret its obligations in a more and more elastic manner. Mr. Willis probably does not know how much advantage our neighbors reaped from the Bourbon piasters (Neapolitan dollars) which were always about to be recoined but which were always turning up somewhere untouched. The Eretrean piasters, too, after the victories of Menelik, fell back on the metropolitan banks. Finally, how shall one reconcile with the spirit of the original treaty of the Latin Union the decrees of King Humbert giving a preference to gold as a reserve in these banks? Such expedients gave all too good reason for the government of the French republic to take precautions for the future in regard to which the imperial government had been careless. Such was the aim of the difficult negotiations of 1885. The convention of 1865 has been compared to a marriage contract; that of 1885 has somewhat the form of a will. But to make one's will is not to die, and it is possible that the Latin Union will still live for a long time.

The changes which the Latin Union has undergone are described by Mr. Willis with much more detail than I could, or would wish to enter into here. The texts of the conventions which he gives *in extenso* in an appendix are almost superfluous after the minute analysis which he has made of them, and possibly he might have abridged somewhat without injury. The subject is not one which appeals to the imagination, and perhaps American students who read of the complicated developments will find it somewhat dry. Personally I have not for a moment received this impression; for where others may merely spell out proper names which mean nothing to them, I see reappear, as if conjured by an occult power, those statesmen and scientists all of whom

I have known well and many of whom were dear to me. To speak only of those whom death has already taken from us, there are the interesting figures of J. B. Dumas, the great chemist, of Michel Chevalier, the eloquent professor, of Emile Laveleye, the subtle orator, of Adolph Soetbeer, the indefatigable statistician. And among the ministers whom the Union has employed I may at least mention those of our own country, Esquirou de Parieu, Magne, Leon Say, Tirard, Peytral.

At times Mr. Willis, while reciting the complicated drama of the two standards, neglects to name the actors. Of the great international conference at Brussels in 1892 he speaks only briefly. Without doubt this is because the results of the conference, as was proper, were negative. Nevertheless, while reading what he has written, I see again the Palais des Academies, at the corner of the Parc Royal, the meeting place for our long deliberations; I see again, grouped according to countries along the green tables, the delegates who represented so many different governments, and first of all, more numerous and more impressive in stature and features, the delegates from America. They were Senator Allison and Senator Jones, Mr. James B. McCreary, President E. Benjamin Andrews, and Mr. Henry W. Cannon. Of all these men their colleagues of 1892 have retained the pleasantest memories. At first they spoke little, and we were astonished that the United States, having taken the initiative at the conference, had no program to submit to it. Later their reticence gave place to a less discreet attitude, and two whole days, in particular, were spent in listening to Senator Jones, the silver advocate *par excellence*, sound the beauties and the virtues of bimetallism. His eloquence was indefatigable. He turned facing now the French, now the Germans, now the English, apostrophizing each country in a ringing voice. His argument seemed to us only moderately scientific, but we admired none the less the dignity of his presence and the richness of his language.

It is to be regretted that this learned work of Mr. Willis could not have been published in 1897 as was originally intended. Circumstances have caused the manuscript to slumber for four years before seeing light, and when the moment came for printing it the author evidently found himself hurried. The recital ends a little abruptly, and after having informed us so fully in regard to the earlier events it passes too rapidly over recent occurrences. This defect in proportion is very noticeable when one comes to chapter XIX, and the author will pardon us for pointing out in the last line of this too

brief chapter an actual error. He says there: "Until France shall change her position there can be no thought of a new régime; of the improbability of such a change the unfavorable reception in Paris accorded to the bimetallic commission sent out by President McKinley affords evidence." The reference is to the final effort made by Mr. Wolcott and his colleagues, Gen. Charles J. Paine and Mr. Adlai E. Stevenson. These gentlemen were possibly received with some suspicion by the business world where the joint action which they urged on France was considered very inopportune and even somewhat wild. But of what could they complain? The president of the council of ministers was then the honorable M. Jules Méline, whose blindness in monetary matters was only equaled by his good faith, and who, deaf to the remonstrances of his wisest advisers, did not hesitate to promise the American delegates the absolute concurrence of the French diplomacy, and the French ambassador at London, it is said, was compelled to join personally in the manifesto which Mr. Wolcott was about to present to the British government. If England at that time had only guaranteed the reopening of the Indian mints, France would have been taken in the snare. In fact, the Bimetallic League was already exultant, and its fiery leader, M. E. Théry, ostentatiously wagered M. Yves Guyot that within a year the unconditional restoration, of the ratio of $15\frac{1}{2}$ to 1 would be an accomplished fact. O, fond delusion! His mistake cost him only a breakfast of a dozen covers where a libation of $15\frac{1}{2}$ bottles of generous champagne accompanied the funeral rites of bimetallism, at last abandoned to its fate.

A final chapter, in which statistics are given free scope, deals with the important question of the stock of silver écus existing in France and the other countries of the Latin Union. There I shall be tempted to find fault with the extreme impartiality for which I just now praised Mr. Willis. He places side by side before the reader, leaving to him all the embarrassment of choice, the estimate of M. Ottomar Haupt and my own, which differ entirely. As he has himself shown the importance of this statistical problem, I would have been pleased had he explained, at least briefly, the two methods which led to such different results. M. Haupt bases his estimate solely on commercial statistics, which, as far as they concern silver and gold, are on their own confession entirely unreliable. The method of which I was originator has truly a more solid basis, and since the death of M. Haupt no one in France believes in the three or even

four milliards which he has so generously bestowed on us. France, I dare assert, does not retain two milliards in silver écus, including those of foreign coinage. I do not overlook the fact that our French mints alone, during the century just ended have issued, in écus, more than five milliards (exactly 5060 million francs). But under Louis Philippe (1830-1848) and again since his time, private enterprise has melted up many more écus than speculation has exported. Why? Because the progress of chemistry has revealed that under Napoleon, and even under Louis XVIII. there was put into the white coins without anyone knowing it, a little more silver than the law required (.903 on the average instead of .900), and also a little gold (0.8 per 1000). When silver bullion commanded a premium on the market the remelting of the five-franc piece, especially a heavy one, by aid of the new methods which science had put at the disposal of the refiners, could give two or three sous profit, and some considerable fortunes were thus gained.

This is how it happens that of the five milliards coined in French écus from the end of the eighteenth century until 1878 scarcely one and a half remained there in 1897. Then came the convention of October 29, 1897, of which Mr. Willis is not ignorant,¹ but which he was unable to follow to its conclusion. This treaty, which increased by 130 million francs our quota of fractional currency obliged us to use for this new issue old écus remelted for that purpose. Indeed, there has already been officially destroyed about 100 million francs of these large silver pieces bearing the image of Napoleon I., Louis XVIII., Charles X., or Louis Philippe.

Marvel at the irony of fate and the blindness of man! At Brussels, or elsewhere, when the demand was made that France should still sacrifice her own interests to rehabilitate silver, she replied that for twenty years she had continually protected against any depreciation an enormous stock of silver money, and that the other states of Europe were far from being able to say as much. This argument has more than once closed the mouths of our adversaries. We can no longer say this, since even in Paris the remelting of the écus has begun in accordance with the terms of the convention of 1897. Furthermore, the ministry which has thus given the *coup de grâce* to the silver standard

¹ The only diplomatic act concerning the Latin Union of which Mr. Willis makes no mention is the protocol of March 15, 1898, relating to the fractional currency of the kingdom of Italy.

without any real necessity, is the same Méline ministry whose chief showed himself ready for the worst acts of indiscretion for the sake of the greater glory of bimetallism.

The compulsory remelting of which I have spoken is not the only factor to lighten the burden of our stock of écus. The French administration periodically sends silver coins to our various possessions in Africa, especially Madagascar, and this silver never returns. Our situation in this respect will better itself gradually, and I, for my part, consider it less harmful, less disturbing, than Mr. Willis believes it to be. When he expresses the opinion that the Latin Union has proved a failure for those who formed it, he is right in a general way. However, our monetary system, since 1885, has not failed to bring us certain political advantages. The dissolution of the existing union would be less menacing to our finances than to those of Belgium and Italy. And as they well know this, it is a motive for maintaining a friendly attitude toward France. The pervading thought of Mr. Willis is that we shall never be able to recover our freedom of action. In one of the last pages of his remarkable monograph he says: "The Latin Union is doomed to existence in its present condition for an indefinite period." He need not pity us where we do not pity ourselves! Upon the whole for twenty years our monetary policy has often been wiser than that of other states which I could cite. And time, the great master, works for us rather than against us.

ALFRED DE FOVILLE.

PARIS.

OUR NEXT MONEY CONTROVERSY.

RECENT events have emphasized the necessity of a revision of our money and banking systems. The latter, in the words of Mr. Stickney, is no system at all, but simply a group of banks bound together by a very slender thread.¹ There has been a decrease in the national debt, and a piling up of a surplus which it is now proposed to use to still further reduce the government obligations, which must result in a decline in the amount of bonds now used for national bank circulation. In this connection a number of suggestions have been made for the modification of the National Banking system, and in some instances an entire repeal of the National Bank Act asked, in the hope of securing a complete and adequate system of banking.

¹ Speech at Milwaukee, October 16, 1901.